

**CITY OF UTICA
INDUSTRIAL DEVELOPMENT AGENCY**

**Financial Statements as of
December 31, 2015 and 2014
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

CITY OF UTICA INDUSTRIAL DEVELOPMENT AGENCY

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INDEPENDENT AUDITOR'S REPORT

April 22, 2016

To the Board of Directors of
City of Utica Industrial Development Agency:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of City of Utica Industrial Development Agency (the Agency), which comprise the statements of net position as of December 31, 2015 and 2014, and the related statements of revenues, expenses and changes in net position; and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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INDEPENDENT AUDITOR'S REPORT

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position the business-type activities of City of Utica Industrial Development Agency, as of December 31, 2015 and 2014, and the changes in its net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2016 on our consideration of City of Utica Industrial Development Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Utica Industrial Development Agency's internal control over financial reporting and compliance.

CITY OF UTICA INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT DISCUSSION AND ANYALYSIS (UNAUDITED) FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

This section of the Agency's Financial Statements presents management's overview and analysis of the Agency's financial performance for the years ended December 31, 2015 and 2014. This section should be read in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

The Agency's net position increased by \$113,712 and \$103,290 in 2015 and 2014, respectfully. The increase in 2015 and 2014, was the result of administration fee income significantly exceeding operating expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

The statements of net position and the statements of revenues, expenses, and changes in net position report information about the Agency as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. Revenue and expenses are recorded when earned and incurred, respectively, regardless of when cash is received or paid.

These two statements report the Agency's net position and changes in them from one year to the next. The Agency's net position, the difference between assets and liabilities, are one way to measure the Organization's financial health, or financial position. Over time, increases or decreases in the Agency's net position is one indicator of whether its financial health is improving or deteriorating. Consideration should also be given to other factors, such as changes in the Agency's income and the fluctuation of the Agency's expenses, to assess the overall health of the Agency.

NOTES TO FINANCIAL STATEMENTS

The financial statements also include the notes to the financial statements, which explain certain information in the financial statements. They are essential to a full understanding of the information provided in the financial statements.

FINANCIAL ANALYSIS

This section summarizes information and data as related to the Statements of Net Position as of December 31, 2015 and 2014, and the Statements of Revenues, Expenses and Changes in Net Position for the years ended December 31, 2015 and 2014.

Statements of Net Position

Table 1 shows all of the assets and liabilities of the Agency and is presented on the accrual basis. Total net position increased approximately \$102,000 from the prior year primarily due to the Agency's project activity.

Table 1
Net Position

	<u>2015</u>	<u>2014</u>
Current assets	\$ 325,697	\$ 161,897
Other assets	<u>-</u>	<u>50,088</u>
Total assets	<u>\$ 325,697</u>	<u>\$ 211,985</u>
Total net position	<u>\$ 325,697</u>	<u>\$ 211,985</u>

Statements of Revenues, Expenses and Changes in Net Position

Table 2 shows all of the expenses and revenues of the Agency and is also presented on the accrual basis. Revenues increased from the prior year, due to an increase in revenues from new projects and a decrease in operating expenses.

Table 2
Changes in Net Position

	<u>2015</u>	<u>2014</u>
Total revenues:		
Administration fees	<u>\$ 122,684</u>	<u>\$ 108,466</u>
Total program revenues	122,684	108,466
Operating expenses	(9,613)	(5,481)
Interest income	<u>641</u>	<u>305</u>
Change in net position	<u>\$ 113,712</u>	<u>\$ 103,290</u>

ECONOMIC FACTORS AND FUTURE OUTLOOK

The City of Utica continues to pursue demolition of blighted buildings and the remediation of environmentally challenged sites. Gains in these two areas translate into construction and development opportunities resulting in more agency activity as additional developable parcels of land materialize.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Agency's finances for all those who have an interest in this agency's finances. Questions concerning any of the information presented in this report or requests for additional financial information should be addressed to the Jack Spaeth, Executive Director, Utica Industrial Development Agency, One Kennedy Plaza, Utica, New York 13502.

CITY OF UTICA INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF NET POSITION DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 325,697	\$ 161,897
Total current assets	<u>325,697</u>	<u>161,897</u>
OTHER ASSETS:		
Escrow funds	<u>-</u>	<u>50,088</u>
Total other assets	<u>-</u>	<u>50,088</u>
Total assets	<u>\$ 325,697</u>	<u>\$ 211,985</u>
NET POSITION		
Unrestricted:		
Designated for rental development	-	50,088
Undesignated	<u>325,697</u>	<u>161,897</u>
Total net position	<u>325,697</u>	<u>211,985</u>
Total liabilities and net position	<u>\$ 325,697</u>	<u>\$ 211,985</u>

The accompanying notes are an integral part of these statements.

CITY OF UTICA INDUSTRIAL DEVELOPMENT AGENCY

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDING DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES:		
Administration fees	\$ 122,684	\$ 108,466
Total operating revenues	<u>122,684</u>	<u>108,466</u>
OPERATING EXPENSES:		
Professional fees	5,152	3,159
Conferences and seminars	3,071	1,562
Miscellaneous	<u>1,390</u>	<u>760</u>
Total operating expenses	<u>9,613</u>	<u>5,481</u>
NET OPERATING INCOME	113,071	102,985
OTHER INCOME		
Interest income	<u>641</u>	<u>305</u>
Total other income	<u>641</u>	<u>305</u>
CHANGE IN NET POSITION	<u>113,712</u>	<u>103,290</u>
NET POSITION - beginning of year	<u>211,985</u>	<u>108,695</u>
NET POSITION - end of year	<u>\$ 325,697</u>	<u>\$ 211,985</u>

The accompanying notes are an integral part of these statements.

CITY OF UTICA INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDING DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Cash received from tenants and others	173,413	\$ 111,721
Cash payments to suppliers for goods and services	<u>(9,613)</u>	<u>(5,481)</u>
Net cash flow from operating activities	<u>163,800</u>	<u>106,240</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	163,800	106,240
CASH AND CASH EQUIVALENTS - beginning of year	<u>161,897</u>	<u>55,657</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 325,697</u>	<u>\$ 161,897</u>
Reconciliation of change in net position to net cash flow from operating activities:		
Change in net position	\$ 113,712	\$ 103,290
Adjustments to reconcile change in net position to net cash flow from operating activities:		
Changes in:		
Accounts receivable	-	3,000
Escrow funds	<u>50,088</u>	<u>(50)</u>
Net cash flow from operating activities	<u>\$ 163,800</u>	<u>\$ 106,240</u>

The accompanying notes are an integral part of these statements.

CITY OF UTICA INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

1. REPORTING ENTITY

The City of Utica Industrial Development Agency (the Agency) is a public benefit Agency created under the mandate of Article 18-A, "New York State Industrial Development Agency Act," of New York State General Municipal Law for the purpose of encouraging economic growth in the City of Utica. The Agency is exempt from Federal, State, and local income taxes. The Agency, although established by the City of Utica, is a separate entity and operates independently of the City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Agency's financial statements are prepared in conformity with accounting principles generally accepted in the United States as set forth by the Governmental Accounting Standards Board for proprietary funds.

Basis of Presentation

GASB requires the classification of net position into three classifications defined as follows:

- Invested in capital assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds. At December 31, 2015 and 2014, the Agency had no investment in capital assets.
- Restricted net position - This component of net position consists of amounts which have external constraints placed on their use imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. At December 31, 2015 and 2014, the Agency does not have a restricted net position.
- Unrestricted net position - This component of net position consists of net position that doesn't meet the definition of "invested in capital assets" or "restricted".

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the report period. Actual results could differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and equivalents includes demand deposits, money markets, and certificates of deposit with original maturities of twelve months or less. The Agency maintains its cash and cash equivalents in bank accounts. The balances in these accounts may, at times, exceed federally insured limits. The Agency has not experienced any losses in these accounts and believes it is not exposed to any significant risk with respect to cash and cash equivalents. Interest and dividend income from cash and cash equivalents is reported in other income in the statements of revenues, expenses, and changes in net position.

Accounts Receivable

Accounts receivable is carried at its full value. Uncollectible accounts are charged to expenditures when an account is deemed uncollectible by management. The outstanding balance was \$0 at December 31, 2015 and 2014.

The Agency considers all accounts receivable at year-end to be fully collectible and, accordingly, the allowance for doubtful accounts was \$-0- at December 31, 2015 and 2014.

Industrial Development Bonds

The Agency issues tax-exempt bonds and special issue bonds to provide financial assistance on behalf of certain not-for-profit organizations for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers back to the not-for-profit organization served by the bond issuance. The Agency is not obligated in any manner for repayment of the bonds at any time. Accordingly, related property is not reported as assets, and the bonds are not reported as liabilities in the accompanying financial statements.

Revenue Recognition

Fees are assessed by the Agency for project applications received during the year. These fees are recognized as revenue when received.

Contributed Facilities and Services

The Agency, with the consent of the Common Council of the City of Utica, is authorized to use and has shared City employees, facilities, and equipment and may reimburse the City an agreed upon proportion of the compensation or costs of the services provided. For the years ended December 31, 2015 and 2014, the City did not request any reimbursement and no such reimbursement was made.

3. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Policies

The Agency follows an investment and deposit policy, the overall objective of which is to adequately safeguard the funds of the Agency and funds under the control of the Agency; to provide sufficient liquidity of invested funds in order to meet obligations as they become due; and to earn the maximum yield possible given the objectives previously listed. Oversight of investment activity is the responsibility of the Executive Director. The Agency's monies must be deposited in Federal Deposit Insurance Agency (FDIC) insured commercial banks or trust companies as designated by the Board of Directors. Permissible investments include: a) obligations of the United States or of federal agencies whose principal and interest payments are fully guaranteed by the federal or state government, b) obligations of New York State or in general obligations of the State's political subdivisions, c) certificates of deposits or deposits with banks with an investment grade rating by a Rating Agency, d) commercial paper rated Prime-1 and/or A-1, and e) money market funds with AAA ratings.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The Agency's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Agency's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. Governmental Accounting Standards direct that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are not covered by collateralization.

As of December 31, 2015 and 2014, the Agency's cash exceed federally insured limits by \$63,703 and \$0, respectively. This amount was collateralized with securities held by the pledging financial institution's trust department.

4. ESCROW FUNDS

The Agency has set aside funds for rental development that are held by an outside party. These funds totaled \$0 and \$50,088 at December 31, 2015 and 2014, respectively.

5. RELATED PARTY

The Agency's governing body is selected by the Mayor of the City of Utica. In addition, the Agency's assistant secretary is also an employee of the City. The Agency does not carry its own director's and officer's insurance, as it is covered through its relationship with the City.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

April 22, 2016

To the Board of Directors of
City of Utica Industrial Development Agency:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of City of Utica Industrial Development Agency (the Agency) which comprise the statement of net position as of December 31, 2015, and the related statements of revenues, expenses and changes in net position; and cash flows for the year then ended, and related notes to the financial statements, and have issued our report thereon dated April 22, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.